

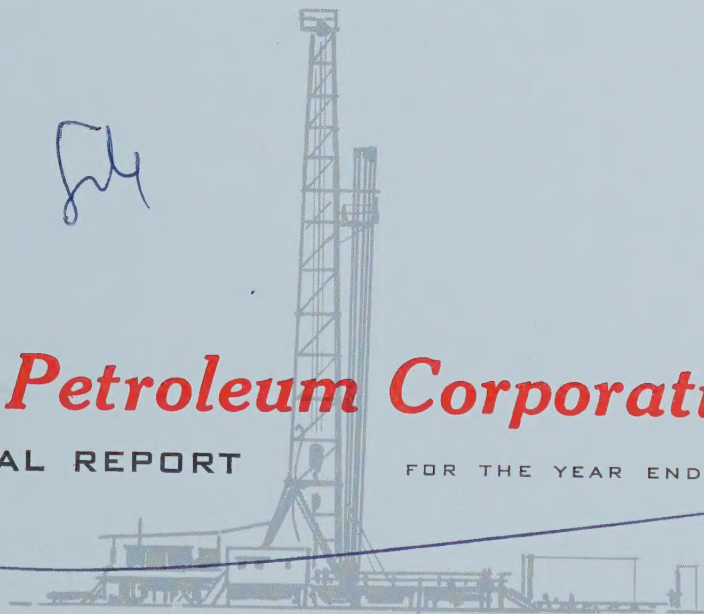
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Crusade Petroleum Corporation Limited

ANNUAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 1968



A member of the DYNAMIC GROUP

1968

Tenth Annual Report

to December 31, 1968

of

CRUSADE PETROLEUM CORPORATION LIMITED

(Incorporated under the Companies Act, of the Province of Alberta)

AUTHORIZED CAPITAL

5,000,000 Shares without nominal or par value

Issued: 1,928,339

REGISTERED OFFICE

210 Fina Building, 736 - 8th Avenue South West

Calgary 2, Alberta, Canada

OFFICERS and DIRECTORS

Robert Clive Brown, President Calgary, Alberta

Frank Brown, Vice-President Calgary, Alberta

Archibald Park Newall, Jr., Secretary-Treasurer Calgary, Alberta

REGISTRAR

Guaranty Trust Company of Canada Calgary, Alberta

TRANSFER AGENT

Guaranty Trust Company of Canada Calgary, Alberta

Montreal, Quebec

AUDITORS

Purdy, Giles, Wyllie and Co. Calgary, Alberta

BANKERS

Royal Bank of Canada Calgary, Alberta

Centre Street and 8th Avenue Branch

LISTED

Canadian Stock Exchange Montreal, Quebec

Report of the Directors

TO THE SHAREHOLDERS

The annual report and financial statements of the company for the year ended December 31, 1968 are presented herewith.

FINANCIAL

The company's financial position was relatively unchanged during the year in comparison with the preceding year. It will be noted from the statement of source and application of funds which is included in the financial statements accompanying this report that cash expenditures exceeded revenues during the year by \$1,259, thereby reducing working capital to \$128,231 at the year end. Operations during the year including depletion, depreciation and abandonments resulted in a net loss of \$12,135 as compared with a net profit of \$7,919 during the preceding year.

JOINT MINERAL EXPLORATION PROGRAM

SASKATCHEWAN

In 1967 Crusade and associated companies completed an extensive preliminary uranium exploration program covering the entire Athabasca Sandstone area of northern Saskatchewan comprising some 20 million acres. This program involved the flying of approximately 15,000 linear miles of traverses across the subject area using aircraft owned by our group of companies which was equipped with the latest and most modern uranium detection equipment. Results obtained were then interpreted by Seigel Associates Limited of Toronto, consulting geophysicists, and by company geologists.

Following completion of the aforesaid exploration program and the interpretation of the results thereof a joint mineral exploration agreement was entered into with Gulf Minerals Company, a wholly-owned subsidiary of Gulf Oil Corporation, Pittsburgh, U.S.A. Pursuant to the terms of this agreement Gulf conducted an extensive on-the-ground exploration program employing surface geological parties, four diamond drilling crews and support aircraft.

On December 3, 1968 Gulf issued a press release at a press conference attended by the Premier of the Province of Saskatchewan, in Regina, Saskatchewan, to announce that it had drilled an exploratory hole in which it had encountered ore grade uranium mineralization. Such hole was drilled at an angle for a depth of approximately 500 feet and a gamma ray log showed an equivalent average grade of approximately 0.6% uranium oxide (U_3O_8) in selected zones totalling 195 feet. The ore grade indicated is reported to be three times better than that found at Beaverlodge, Saskatchewan, and at least four to five times better than Elliot Lake, Ontario.

Gulf Minerals Company re-entered the Wollaston Lake area in February, 1969 with one drill to commence evaluating and to determine the extent of the 1968 discovery. At the date of this report two more drills have been added to speed the evaluation. Gulf is understandably being very cautious in its approach to announcements concerning its work on the property but they have thus far publicly indicated that three drill holes have encountered high quality ore grade mineralization. On the three permit blocks in the centre of the Athabasca Sandstone basin Gulf has contracted the drilling of a deep test (3,000' to 5,000') which should commence very soon with completion expected in June or July.

Included in this report is a map of the Athabasca Sandstone area including the Wollaston Lake uranium area of the Province of Saskatchewan showing thereon all mineral exploration permits issued according to the best of our information and belief. This map highlights in red the permit lands totalling approximately 1,825,000 acres which are subject

to the Gulf agreement and Note 1 thereon indicates the company's direct and approximate indirect interest in the 20% net profits interest retained by the Dynamic Group under the terms of the Gulf agreement. Also shown on this map in red outline is the area of common interest with Gulf encompassing some twenty million acres.

Of particular interest are the three permits comprising some 556,000 acres lying to the southwest of the Gulf-Dynamic Group lands shown on the attached map in light green. These lands are held by the Dynamic Group and Crusade has a 12½% undivided interest therein. Serious negotiations are now under way to complete a joint development agreement on these tracts.

MANITOBA

Crusade, in association with certain other members of the Dynamic Group, also acquired five mineral reservations in Manitoba containing approximately 602,000 acres which are shown on the accompanying map in light blue color. A joint exploration and development program over these lands is being negotiated.

The map included in this report also shows thereon other mineral permits and reservations in the Wollaston Lake uranium area held by companies associated with Crusade, the various retained interests and the extent of the exploration programs to be carried out during the current and subsequent years.

The uranium discovery above mentioned triggered a rush on the part of other individuals and companies, unprecedented in the history of the Province of Saskatchewan, to file on mineral exploration permits in the Athabasca Sandstone area, all of which was covered by the airborne radiometric survey conducted by our group of companies. This discovery could very materially affect the future prosperity of this company and its shareholders.

NORTHWEST TERRITORIES

Crusade is participating with the Dynamic Group in two separate projects in the Northwest Territories. Late last fall staking was completed on an interesting uranium showing and an option agreement has been entered into with a prominent U.S. oil corporation for further exploration of this area during this summer. In the Baker Lake region, the Group recently acquired a major interest in approximately 375,000 acres of permits. This is a new potential uranium area and will be under active exploration this year by many prominent companies.

BRITISH COLUMBIA

Crusade, in co-operation with associated companies, is continuing its exploration program and the acquisition of mineral claims in the Province of British Columbia through an exploration office established in Kamloops, B.C. Several new groups of mineral claims have been staked or recently acquired and these, together with former holdings, give the company direct interests in many potential mineral areas. Considerable geological and geophysical work has been conducted on many of the claim groups during the past two years with some properties now being scheduled for drilling later this year.

Again, we wish to express our appreciation to all employees and shareholders of the company for their continued interest and loyal support.

Respectfully submitted
on behalf of the Board

ROBERT CLIVE BROWN
President

Calgary, Alberta
May 19, 1969

Crusade Petroleum Corporation Limited

ACREAGE HOLDINGS December 31, 1968

PETROLEUM AND NATURAL GAS			
	ACREAGE	INTEREST %	TRACT FACTOR
PRODUCING			
Alberta			
Pembina Keystone Cardium Unit No. 1	160	66.6666	6.7647
Pembina Belly River AA Pool Unit .	320	33.3333	13.5607
NON-PRODUCING			
Alberta			
Bat Lake	34,880	0.5050 GOR	
Saddle Lake	1,277	2.48 NCI	
Zama West	3,840	0.3 GOR	
MINERAL INTERESTS			
	ACREAGE	INTEREST %	
Saskatchewan			
Athabasca Sandstone Mineral			
Prospecting Permits	1,728,000 acres	12.5% interest in 20% defined net profits interest	
Athabasca Sandstone Mineral			
Prospecting Permits	555,800 acres	12.5	
British Columbia			
Mineral Claims	471 claims	14.2857	
Mineral Leases	2 leases	14.2857	
Mineral Exploration Permits	126,314 acres	14.2857	
North West Territories			
Mineral Claims	200 claims	14.2857	



WOLLASTON LAKE URANIUM AREA CANADA



GULF 80% AND THE DYNAMIC GROUP 20%

DYNAMIC PETROLEUM PRODUCTS LTD.
ROYAL CANADIAN VENTURES LTD.
MILL CITY PETROLEUMS LIMITED
CONSOLIDATED EAST CREST OIL COMPANY LIMITED
NEW CONTINENTAL OIL COMPANY OF CANADA LIMITED
CRUSADE PETROLEUM CORPORATION LIMITED
DYNALTA OIL & GAS LTD.



AREA OF COMMON INTEREST as defined under the Gulf - Dynamic Group Agreement — approximately 20,000,000 acres.



ROYAL CANADIAN 20%
NEW CONTINENTAL 20%
EXCEL PETROLEUMS LTD. 40%*
SCURRY-RAINBOW OIL LIMITED 20%**

*Subject to an expenditure of \$1,700,000 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



ROYAL CANADIAN 20%
NEW CONTINENTAL 20%
SCURRY-RAINBOW 40%*
SCURRY-RAINBOW 20%**

*Subject to an expenditure of \$825,000 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



ROYAL CANADIAN 10%
NEW CONTINENTAL 10%
DYNAMIC PETROLEUM 16%
PERMO GAS & OIL LIMITED 4%
SCURRY-RAINBOW 40%*
SCURRY-RAINBOW 20%**

*Subject to an expenditure of \$678,500 in a period of four years or less; otherwise the interest reverts to Royal Canadian and New Continental.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



DYNAMIC PETROLEUM 32%
PERMO GAS & OIL LIMITED 8%
SUNLITE OIL COMPANY LTD. 40%*
SCURRY-RAINBOW 20%**

*Subject to an expenditure of \$800,000 in a period of two years or less; otherwise the interest reverts to Dynamic Petroleum and Permo Gas & Oil Limited.

**Subject to the proviso that Scurry-Rainbow shall be obligated to assume and pay 60% of such additional expenditures up to a maximum of \$5,000,000.



DYNAMIC PETROLEUM 25%
DYNALTA OIL & GAS CO. LTD. 25%
NEW CONTINENTAL 25%
CRUSADE PETROLEUM 25%



THE DYNAMIC GROUP 87½%



NEW CONTINENTAL 50%
ROYAL CANADIAN 50%

24 Mineral Claims

NOTE 1

The net profits interest retained by the Dynamic Group of Companies under the terms of the Gulf agreement before and after taking into consideration the inter-company share ownership, is shared approximately as follows:

	Direct Interest %	Approximate Indirect Interest in Inter-Company Shareholdings %	Total %
Dynamic Petroleum Products Ltd.	12.50	12.99	25.49
Royal Canadian Ventures Ltd.	12.50	5.00	17.50
Mill City Petroleum Limited	12.50	13.78	26.28
Permo Gas & Oil Limited	—	19.24	19.24
New Continental Oil Company of Canada Limited	12.50	3.57	16.07
Consolidated East Crest Oil Company Limited	12.50	0.26	12.76
Crusade Petroleum Corporation Limited	12.50	0.22	12.72
Dynalta Oil & Gas Co. Ltd.	12.50	0.25	12.75
	87.50	Totals not Applicable	

NOTE 2

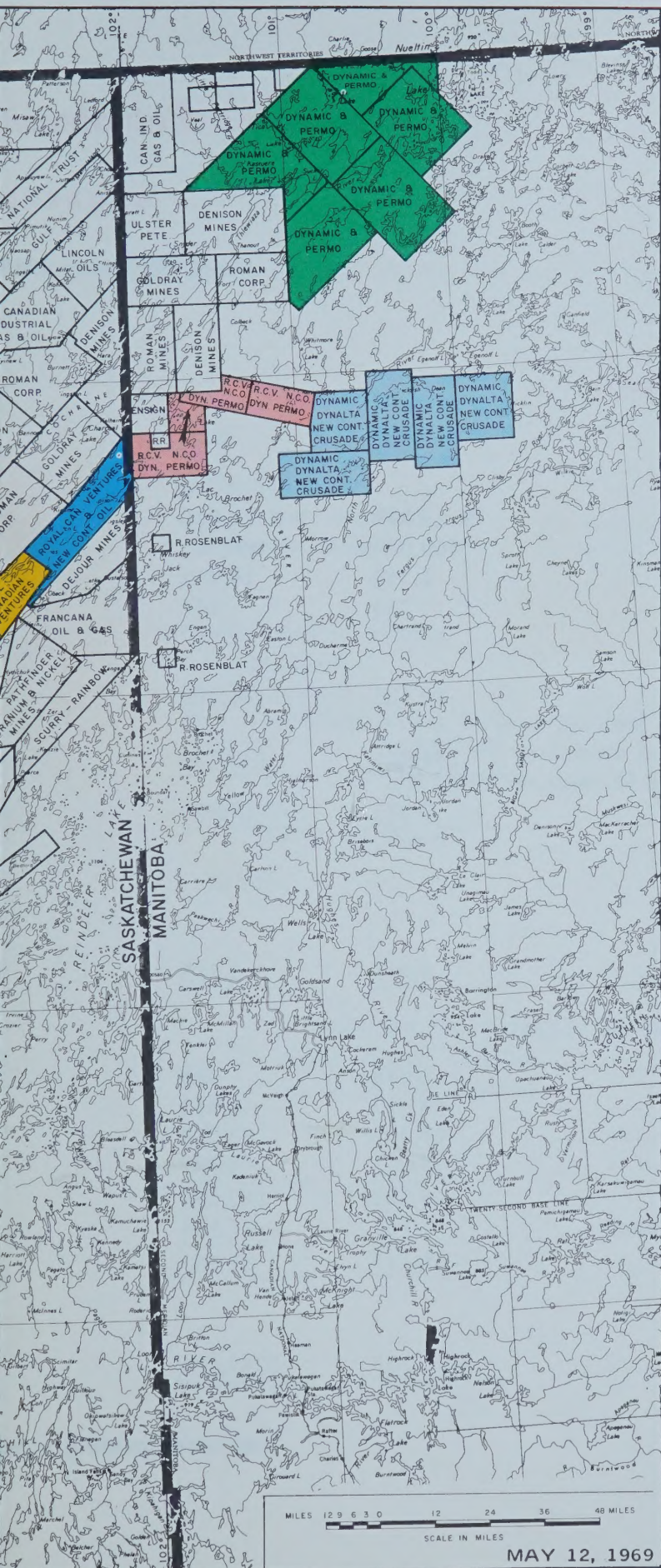
Scurry-Rainbow Oil Limited acquired its 20% interest in the various agreements indicated in the legend for a consideration of 15,000 shares of Scurry-Rainbow or \$600,000, and also an undertaking by Scurry-Rainbow to assume and pay 60% of such additional expenditures as may be required up to a maximum of \$5,000,000 on each of the four agreements for a total of \$20,000,000 maximum.

NOTE 3

The permits on this map are in the names of the companies as shown and compiled from information believed to be reliable but not guaranteed.

These permits give the holder the right to explore for all minerals (including uranium) but excepting petroleum and natural gas, coal, and in Saskatchewan, those described as alkali minerals.

Average Permit size - 192,000 acres (300 square miles).



Crusade Petroleum

BALANCE

DECEMBER 31, 1968

ASSETS

	<u>1968</u>	<u>1967</u>
CURRENT		
Cash	\$ 13,347	\$ 2,846
Short term deposits	100,000	100,000
Accounts receivable	1,340	18,930
Accrued interest receivable	234	247
Government of Canada bonds at cost (quoted market value 1968 - \$10,688; 1967 - \$10,969)	16,125	16,125
Corporation special refundable tax		75
	<u>131,046</u>	<u>138,223</u>
OPERATING AND PERFORMANCE DEPOSITS	<u>9,375</u>	<u>17,857</u>
INVESTMENTS - at cost		
Shares of Royal Canadian Ventures Ltd. (quoted market value 1968 - \$275,000; 1967 - \$19,250)	<u>5,775</u>	<u>5,775</u>
PROPERTY, PLANT AND EQUIPMENT at cost		
Mining interests	1,645	486
Petroleum and natural gas interests	46,913	46,913
Well development costs	68,359	68,359
Production equipment	48,205	46,497
	<u>165,122</u>	<u>162,255</u>
Less accumulated depreciation and depletion . .	<u>79,765</u>	<u>74,504</u>
	<u>85,357</u>	<u>87,751</u>
	<u><u>\$231,553</u></u>	<u><u>\$249,606</u></u>

See accompanying notes

Crusade Petroleum Corporation Limited

STATEMENT OF INCOME AND DEFICIT

For the Year Ended December 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
REVENUE		
Crude oil sales, less royalties	\$ 30,422	\$ 36,807
Less production expenses	12,150	10,851
	<u>18,272</u>	<u>25,956</u>
Interest	8,343	6,745
	<u>26,615</u>	<u>32,701</u>
EXPENSE		
Administrative and general	10,235	7,688
Exploration and survey costs	37,928	27,511
Lease rentals and other carrying charges	2,337	3,374
	<u>50,500</u>	<u>38,573</u>
CASH LOSS FROM OPERATIONS	<u>23,885</u>	<u>5,872</u>
ADD		
Depletion	1,921	2,473
Depreciation	3,340	3,628
Abandonments:		
Well development costs	4,000	
Mining properties	101	692
	<u>9,362</u>	<u>6,793</u>
DEDUCT		
Gain on sale of properties	18,750	20,584
Gain on sale of fixed assets	2,362	
	<u>21,112</u>	<u>20,584</u>
NET LOSS (PROFIT)	12,135	(7,919)
DEFICIT, beginning of year	<u>105,667</u>	<u>113,586</u>
DEFICIT, end of year	<u>\$117,802</u>	<u>\$105,667</u>

See accompanying notes to financial statements.

Crusade Petroleum Corporation Limited

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the Year Ended December 31, 1968

(with comparative figures for 1967)

	<u>1968</u>	<u>1967</u>
SOURCE OF FUNDS		
Proceeds from sale of properties	\$ 18,750	\$ 41,881
Proceeds from sale of equipment	2,362	5,815
Decrease in operating and performance deposits . .	8,482	(17,857)
	<u>29,594</u>	<u>29,839</u>
APPLICATION OF FUNDS		
Cash loss from operations	23,885	5,872
Mining interests	1,260	81
Production equipment	1,708	445
Well development costs	4,000	
	<u>30,853</u>	<u>6,398</u>
DECREASE (INCREASE) IN WORKING CAPITAL . . .	1,259	(23,441)
WORKING CAPITAL, beginning of year	<u>129,490</u>	<u>106,049</u>
WORKING CAPITAL, end of year	<u>\$128,231</u>	<u>\$129,490</u>

See accompanying notes to financial statements.

Crusade Petroleum Corporation Limited

NOTES TO FINANCIAL STATEMENTS

December 31, 1968

1. ACCOUNTING POLICY

The company's policy is to capitalize the acquisition costs of petroleum, natural gas and mining interests together with drilling and development costs. Carrying costs and exploration expenses are charged against income as incurred. Acquisition costs and drilling and development costs of producing properties are depleted on a unit of production basis and equipment costs are written off over their estimated useful life. The costs of non-producing properties and unproductive development are charged against income in the year of abandonment.

2. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The company bears a portion of the total remuneration paid to its directors and senior officers who are paid by an affiliated company. The amount of remuneration allocated to the company during the year amounted to \$2,948 which is included in administrative and general expense.

3. INCOME TAXES

Under Canadian income tax law, exploration and development expenditures including certain property acquisition costs may be deducted from income, or, if such expenditures exceed the income for the year, the excess may be carried forward to subsequent years. No provision for income taxes was required for the years ended December 31, 1968 or 1967 and an excess of such expenditures of approximately \$129,000 was available to be carried forward against future taxable income.

The Company is of the opinion that it is not appropriate to provide for income taxes deferred as a result of timing differences between accounting income and taxable income as recommended by the Canadian Institute of Chartered Accountants. However, in the years ended December 31, 1968 and 1967 and as at December 31, 1968 there was no deferred income tax liability as a result of such timing differences.

AUDITORS' REPORT

To the Shareholders of
Crusade Petroleum Corporation Limited

We have examined the balance sheet of Crusade Petroleum Corporation Limited as at December 31, 1968 and the statements of income and deficit and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PURDY, GILES, WYLLIE AND CO.
Chartered Accountants

Calgary, Alberta
April 11, 1969

